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# FOREWORD



## Idea Behind This Weekly Newsletter

Being a Commerce College, students are expected to know the changes in the business world. This weekly newsletter will help the students get acquainted with a glimpse of what happened in the week gone by. It will also have insights into various business and commerce related updates which will help you gain in-depth knowledge. Make it a point to read each and every article in this issue and stay updated so that you don't get outdated.

- DR. D. M. Doke  
Principal

# BRIDGING THE GAAP TO IFRS

Dr. Sudha Subramaniam,  
Core Faculty,  
M.L.Dahanukar College of Comemrce

The BAF  
Times

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The course of time has witnessed increasing global inter-linkages, global investor fund flow and wealth management that clearly sets out the need for a convergence of reporting standards. When the International Accounting Standards Board (IASB) issued the International Financial Reporting Standards (IFRS), the main objective was to provide a common accounting language to increase transparency in the presentation of financial information. Although initially the Government of India had committed to convergence of Indian Accounting Standards with IFRS from April 1, 2011, and intensive training was also imparted with this viewpoint, we found the technicalities and the need to revamp the entire transactional recording and accumulation of data systems too herculean and also disadvantageous and problematic on certain counts. For instance, the use of fair values as the primary basis of asset and liability measurements, the huge transition costs to SMEs, the level of complexity of IFRS for SMEs as compared to the current system of the Indian GAAP became a major deterrent in the transition to IFRS.

However, Indian blue-chip companies began to align their accounting standards to the IFRS three years ahead of the estimated time since apart from the fact that after 2007 IFRS became mandatory for listing in the European Markets, the norms also provided for more stringent provisioning for market-to market losses.

Ved Jain, the then president, ICAI, said, "Many companies have already started following the new accounting standards because these ensure transparency and uniformity. The implementation would strengthen the confidence of stakeholders in the companies financial statements, which, in turn, will bring value to the corporates".

One of the major challenges was the fair value system of measurement considered by the IFRS whereas the Indian GAAP recognises the historical system. Change from the existing system would result in volatility and subjectivity in financial systems. It would also result in different figures of performance and earnings of the company. Moreover, a complete overhaul of the current regulations in Companies Act, SEBI act, IT Act, etc would be inevitable.

Therefore, although Professional Companies like KPMG and Deloitte considered extensive training programmes to keep the intelligentsia adept with IFRS Regulations, only IT firms like Wipro, Infosys Technologies, NIIT, Companies like Mahindra & Mahindra, Tata Motors, Bombay Dyeing, Dr.Reddys Laboratories, etc moved on with IFRS well in time.

The benefits of IFRS include easy access to global financial capital markets, facilitating cross border trade and investments, eliminating differential reporting, improving the quality and comparability of financial reporting and also increase the accounting professional's competency to take up global roles. Therefore, although one of the major practical hurdles is the transitional cost, the timeline when global standards must rule the roost is inevitable. The path to convergence necessitates setting up of an able task force to tackle the problems faced by different entities during and as a result of the transition. The investor too must essentially be trained to gain a proper understanding based on the changed underlying representations of the Financial Statements.

The twenty intermittent years from 2011 to 2021 have etched out the need for upgrading to a common reporting platform. A report by the Japanese Financial Services Agency identified business efficiency, enhanced comparability and better communications with international investors as the main reasons why many Japanese companies chose to adopt IFRS standards.

IFRS reflects on economic substance more than legal form. IFRS is more credible and reliable than GAAP in the apt reflection of gains and losses as well as a more useful form of layout.

Although the overhaul and the related monetary impact due to transitional costs cannot be gauged with absolute precision, the convergence is definitely a much-needed spur for Industrial growth as well.

# A BIG WIN FOR AMAZON INC IN INDIA

Mr. Gaurav Rangnekar,  
Alumni,  
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In FY 2020-21, Reliance retail ventures Ltd and Future group had entered into a deal of Rs 24,713 crore. The deal stated that RRVL Ltd will take the majority stake in Future group and operate all the subsidiaries in the sectors like Retail , Wholesale , logistics and warehousing business. Reliance Retail would have been benefitted as future retail runs around 1800 various clothing and grocery stores like FBB , Central etc. After this deal reliance retail's business would have reached approximately \$1 to \$1.5 billion. Here comes the twist, Amazon had invested in Future coupon ltd ( unlisted subsidiary of Future group) and had a 5 % share- holding . This RIL – Future deal would have impacted Amazon because it is one the biggest rival of Reliance Retail in India. When amazon invested in Future coupons ltd , they had mentioned that Future Coupon ltd shall be a sole business for its retail segment and no other company can invest in this company without the consent of Amazon.

In-order to mitigate the risk of dominance in the market by RIL, Amazon Inc had filed their litigation / plea before the high court ( single judge) for enforcement on 25th October , 2020 as the contract was breached. The enforcement was awarded by Singapore International Arbitration Centre and had halted / reframed the deal to go ahead. The Singapore International Arbitration centre (SIAC) had given an interim award in favour of Amazon and halted the deal between Reliance Retail and Future Group.

Even though amazon winning the award, it was challenged by Competition Commission of India stating that amazon had misused the facts of the contract. Later amazon had challenged this with the Supreme court of India. On 6th August , 2021 , Amazon Inc won the case and the deal between Reliance Retail and Future group came to a closure. The impact was very strong on the stocks on Reliance Industries and Future group. The stocks tanked very sharply.

(Note – The individual revenue of future retail and Reliance retail won't be impacted by the failure of this deal. But the benefit of consolidation if revenue and market share is affected)

Refer the technical chart of Reliance Ltd below.



# DOES CRYPTOCURRENCY HAVE A FUTURE?

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Alumni,  
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Founder, Maksideo Investments

Since the last decade, we have heard the terms “cryptocurrency” & “Bitcoin” and especially for the past couple of years, these concepts have lured investors. These instruments are characterized by huge returns which makes them trendy. But, do you know what exactly it is? Let’s check!

What is Cryptocurrency?

According to Oxford languages, Cryptocurrency is a digital currency in which transactions are verified and records maintained by a decentralized system using cryptography, rather than by a centralized authority.

According to Cambridge, Cryptocurrency is a digital currency produced by a public network, rather than any government, that uses cryptography to make sure payments are sent and received safely.

Now let’s break it down.

The word cryptocurrency is a combination of the two words Cryptography and currency. Cryptography is converting simple information into complex non-readable information which can be read only by the intended person. To make this information readable you need to have a public key and a private key. It is similar to username and password which cannot be recovered. Hence, once you forget these keys you will lose your money.

Cryptography makes the transaction safe and efficient. The information of the transactions is stored with the help of blockchain technology.

## **What is Blockchain Technology?**

Blockchain Technology is a database management system that includes blocks. When one block is filled, it is linked to another and hence a chain of blocks is created. Now, the advantage of this system is that since it is a chain and each block is linked to another, the information cannot be edited or deleted. The key feature of blockchain technology is that it is decentralized and not controlled by any single person or organisation.

## **How does Cryptocurrency work?**

Suppose, Mr X creates a cryptocurrency named ABcoin with cryptography and blockchain technology. For simplicity let's assume, 1 ABcoin = 1 \$.

You want to transfer 1000\$ to Mr Y in a different country. You are concerned about the conversion and transfer fees charged by the bank. Mr Y suggests you transfer it to ABcoin. So, you open a crypto wallet account and buy cryptocurrency on a crypto exchange using dollars or other cryptocurrencies. After this, you can transfer 1000 ABcoins immediately to Mr Y.

## **What affects the valuation of cryptocurrency?**

Unlike regular currency like dollars and rupees where several economic factors like GDP, inflation, interest rates, etc. affect the value of the currency, Cryptocurrencies are mainly valued based on demand. Now, the demand here is based on future demand. It means that it is based on the expectations that in the future that particular cryptocurrency will be mainly used for payments. Also, the efficiency of the system forms the expectation that it will be used as legal tender, driving its price up. So, while investing in cryptocurrency you expect that someone will buy that currency at a higher price.

Is this similar to the 2008 crisis where we expected that future demand for houses will lead to an increase in housing prices?

## Advantages

- **Efficient System:** The system of cryptocurrency transfer with help of blockchain technology is more efficient than the current system used to transfer money. It avoids intermediaries like banks and tries to reduce the cost. Although this is true, some blockchains like Ethereum are facing problems concerning high transaction costs.
- The rising value of a stock makes that particular stock difficult to buy for a small investor. This is not the case with cryptocurrency. You can buy it in fractions!
- **P2P (Peer to Peer):** When a person transacts in cryptocurrency, it does not include any intermediaries like banks between the transacting parties. This makes the transaction cheaper and efficient.

## Disadvantages

- Cryptocurrencies are not yet regulated by any of the regulatory bodies. This can make the price highly volatile and we are well aware of this fact. This reduces stability in the currency which is considered a key feature of any currency.
- The anonymity of the parties makes the medium well suited for money laundering and other illegal activities often called the dark web.
- Due to the anonymity of the parties, in case human error while transacting cannot be reversed. Eg. If you mistakenly transfer cryptocurrency to account ABC instead of BAC you cannot ask ABC to pay back your money as you do not know who ABC is.

## Risks with cryptocurrency

The major risk with cryptocurrency is the legal risk. Cryptocurrencies are not accepted as legal tender. Also, many governments are discouraging cryptocurrencies. Recently, China banned cryptocurrency to avoid money laundering. RBI also tried to ban cryptocurrency in India. But, as of now, cryptocurrencies are not illegal in India.

El Salvador is the first country to accept bitcoin as a legal tender.

The Basel Committee which sets the guidelines for the banks all over the world has put cryptocurrency as the asset with the highest risk, with 1250% risk weight.

## How to buy cryptocurrency in India?

To buy cryptocurrency one should have an account with the cryptocurrency exchange. Some of the popular cryptocurrency exchanges are Wazirx , Binance India , Coinbase India, Kraken India, etc. These exchanges act as a combination of brokers and exchanges where you have to transfer money into your account/ wallet and then use it to buy the cryptocurrency on the exchange.

Some of the service providers also provide P2P transaction service.

## Experts on Cryptocurrency

There has been a debate between the market players on investing in cryptocurrency. Ace investors like Warren Buffet and Charlie Munger are against cryptocurrency. They believe it is not worth investing in this instrument. Even the Indian investor Rakesh Jhunjhunwala says that he will not buy bitcoin for \$5. Whereas some investors including Elon Musk support cryptocurrency and are investing huge amounts in the same. So, on whose side are you on?

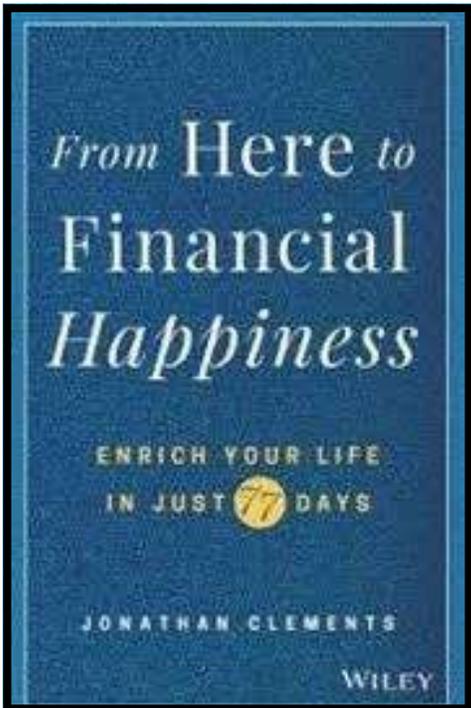
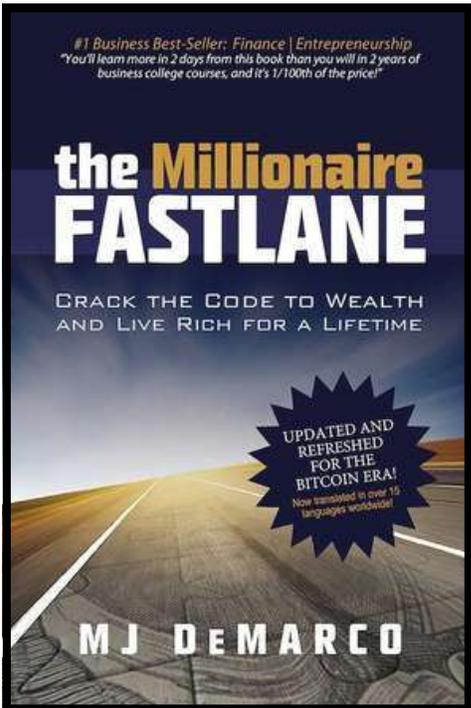
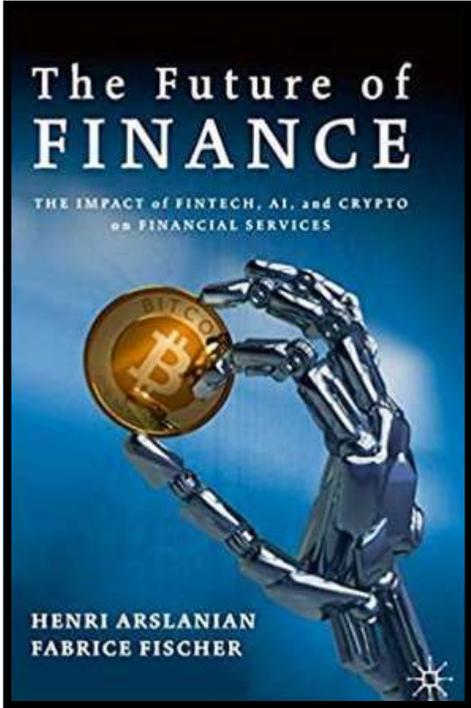
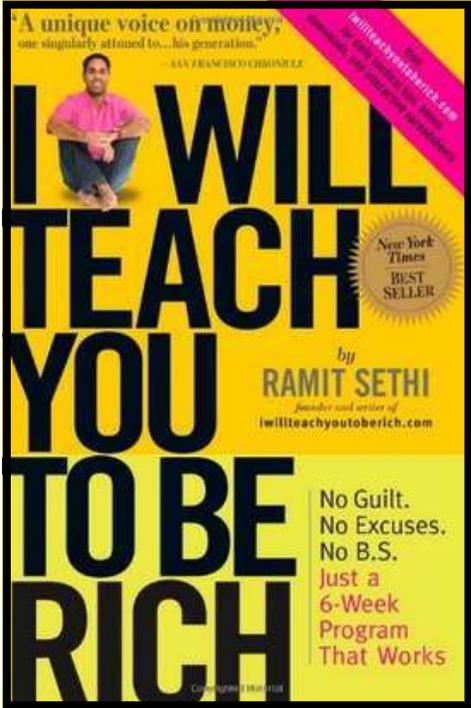
## Some popular cryptocurrencies

- Bitcoin
- Ethereum
- Litecoin
- Dogecoin

## Conclusion

Cryptocurrency is surely booming, but the question is will it survive? Will it be used as a legal tender in the future? If you believe so, then you should invest in these instruments.

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# FYNAECO FEST

## FYNAECO FEST

A week full of fun and finance

FINWORD CHAIN Day 1		QUIZARIA DAY 2	
OPINION Q DAY 3		FUN-TRADING DAY 4	
CRYPTIC CROSSWORD DAY 5		FINO SKRIBBL DAY 6	



We are back with one of our much anticipated event, **FYNAECO FEST!**  
A week full of finance mini-games culminating with a battle of  
FinSkribbl

Just fill up the registration form and follow our Instagram page  
**@fynaecomldcc** (<https://instagram.com/fynaecomldcc>) for more  
updates

Registration link : <https://forms.gle/yir8qnmasQeZZ6he9>

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